Property

2H26 Anchor By Industrial Momentum

OVERWEIGHT
(Maintained)

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Highlights

- The slight dip in May 26's residential loan applications should not be overread as developers under our coverage have seen encouraging sales so far, with launches and sales targets unchanged for the year.
- Companies have started to raise launch prices for projects with stronger demand, while the recent de-escalation of the Iran conflict should provide positive read-through to cost sentiment.
- Maintain OVERWEIGHT on the sector's palatable valuations at 0.85x forward P/B (+0.5SD above mean). For 2H26, we prefer developers with exposure to the industrial segment and strong earnings visibility backed by unbilled sales. Our top picks are EcoWorld and Lagenda. We also like Mah Sing for its increasingly attractive valuation, currently trading at 8.4x 2026F PE with a dividend yield of 5.9%/6.3% for 2026/27F.

Analysis

- **The slight dip in May 26's residential loan applications should not be overread.** According to Bank Negara Malaysia, residential loan applications saw a slight dip at 0.7% yoy in May 26, bringing 5M26's growth to 0.8% yoy. Residential loan approval rate came in at 39.8% in May 26, still within the range of 38.0%-40.4% during the first four months.
- **Residential sales to catch up in subsequent quarters.** Overall, feedback from developers points to steady residential sales momentum, supported by resilient mortgage demand, stable loan approval rates, and owner occupier demand. We expect momentum to improve in the coming quarters, as developers have largely kept their launch pipelines intact and launches are typically backloaded towards 2H26.
- **De-escalation of Iran conflict is a positive read-through.** Before the de-escalation, developers have only guided for low-to-high single-digit increases in blended construction costs for new projects. With the recent de-escalation of the Iran war, unsubsidised diesel prices have reduced by 41% to RM3.97 from the peak in Apr 26. This should be a positive to developers with early-stage developments as heavy earthworks are more exposed to diesel usage. Nevertheless, we believe margin risk should be manageable, supported by: a) value engineering, b) selective price hikes for high-demand products, and c) the recent expansion of cement subsidies for affordable housing.

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.12	2.70
Lagenda	LAGENDA MK	BUY	1.39	1.88

Source: Bloomberg, UOB Kay Hian

Sector One-Year Forward P/B At 0.85x

Source: Bloomberg

Sector Discount To RNAV At 44%

Source: NAPIC

Key Assumptions

(%)	FY24	FY25	FY26F	FY27F
Revenue Growth	17.4	7.1	19.3	11.1
Net Profit Growth	40.3	9.6	6.5	14.9
Net Margin	13.0	13.3	11.9	12.3

Source: Respective companies, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 2 Jul 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	PB 2026E (x)
Eco World Development	ECW MK	BUY	2.12	2.70	27.4	Oct-25	16.3	12.6	11.2	3.8	8.3	6,842	1.0
Lagenda Properties	LAGENDA MK	BUY	1.39	1.88	35.5	Dec-25	8.6	5.7	4.5	5.9	18.0	1,157	1.0
Mah Sing Group	MSGB MK	BUY	0.94	1.42	51.3	Dec-25	9.8	8.4	7.8	5.9	6.6	2,407	0.6
Matrix Concepts*	MCH MK	BUY	1.18	1.72	45.8	Mar-26	10.3	8.5	7.3	5.2	11.0	2,215	0.9
SP Setia	SPSB MK	BUY	0.985	1.22	23.4	Dec-25	7.1	10.2	9.3	1.9	3.2	4,976	0.3
Sunway Bhd	SWB MK	HOLD	5.04	5.70	13.1	Dec-25	29.5	26.6	22.8	1.1	7.5	34,073	2.0

**2025A/2026E/2027E refers to FY26/FY27F/FY28F*
Source: UOB Kay Hian

- **Record level of approved investments to anchor 2H26 industrial demand.** We expect industrial demand to remain a key driver for the property sector in 2H26, supported by flow-through of a record level of approved investments into demand for industrial land and factory products. In 2025, Malaysia's total approved investments hit a record-high of RM431b, with both foreign and domestic investments peaking at RM209b (+21.8% yoy) and RM222b (+4.4% yoy) respectively. Momentum remained resilient in 1Q26 with RM92.8b in total approved investments (-0.2% yoy), while domestic approved investments rose 13.0% yoy to RM37b, suggesting sustained local capex appetite.
- **Translating demand flow-through…** Approved investment is translating into market activity, with total industrial transaction value rising 21.3% yoy in 2025, per National Property Information Centre (NAPIC) data. The growth was supported by both factories (+8.1% yoy) and vacant land transactions (+40.4% yoy), which accounted for 60% and 40% of the total respectively. Recapping 1H26-to-date, the industrial segment was characterised by: a) multiple DC land sales amounting to over RM1.4b (2025: RM2.2b), per our compilation of publicly announced transactions; and b) healthy take-up for industrial park launches.
- **…with SME demand staying solid.** Beyond larger industrial tracts for DC operators and MNCs in the electrical and electronics space, developers are seeing encouraging demand for smaller industrial plots and ready-built factories, supported by local SME expansion and relocation needs.
- **Sector earnings forecast.** Overall, we forecast sector adjusted earnings growth of 6.3% yoy for FY26, supported by Lagenda (+50% yoy), EcoWorld Development Group (EcoWorld) (+28% yoy) and Matrix Concepts Holdings (Matrix Concepts) (+20% yoy).

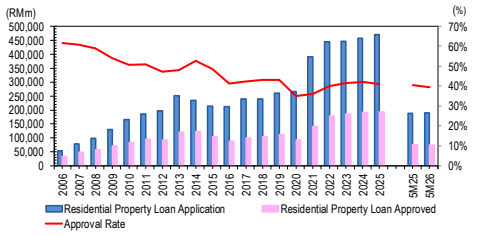
Valuation/Recommendation

- **Maintain OVERWEIGHT.** The sector's valuation has retraced from the recent peak of 0.97x in late-Jan 26 to: a) 0.85x 12-month forward P/B (0.5SD above 10-year mean of 0.77x); and b) a 44% discount to RNAV (0.5SD below 10-year mean of 52%), due to the Iran war. Nevertheless, we keep our OVERWEIGHT stance on the sector, due to: a) sustained industrial momentum, b) residential sales picking up after 1Q seasonal slowdown and as developers backloaded launches towards 2H26, and c) cost impact remaining manageable so far. Our top picks are: a) EcoWorld, supported by strong industrial exposure; and b) Lagenda, supported by above-industry margins and record-high unbilled sales. We also like Mah Sing for its increasingly attractive valuation, currently trading at 8.4x 2026F PE with a dividend yield of 5.9%/6.3% for 2026/27F.

Sector Catalyst/Risk

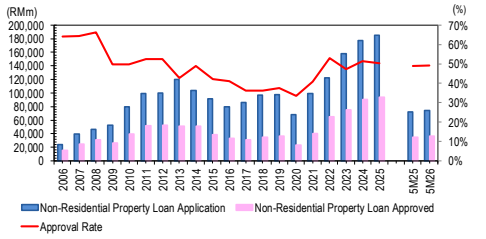
- **Key sector risks:** a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

Residential Property Loan Applications



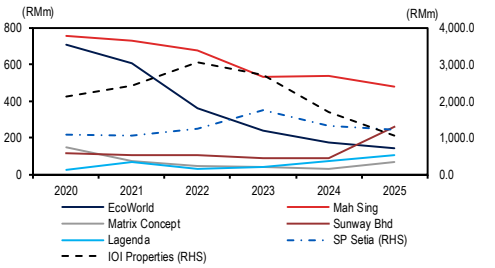
Source: CEIC, BNM, UOB Kay Hian

Non-Residential Property Loan Applications



Source: CEIC, BNM, UOB Kay Hian

Completed Inventories Trend



Source: CEIC, BNM, UOB Kay Hian

Key Statistics As Of End-1Q26

	Net gearing (x)	Unbilled sales (RMb)	Unbilled sales/property revenue (x)
Eco World*	0.22	5.4	1.5
IOIPG	0.92	2.1	1.1
Lagenda	0.59	1.7	1.6
Mah Sing	0.39	3.3	1.7
Matrix	0.37	1.5	1.2
SP Setia	0.30	4.3	1.0
Sunway	0.30	9.0	4.9

**as of end May 26*
Source: Respective companies, UOB Kay Hian

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